

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

Central Wayne County Sanitation Authority

**Financial Report
with Supplemental Information
June 30, 2006**

Central Wayne County Sanitation Authority

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Independent Auditor's Report

To the Board of Directors
Central Wayne County Sanitation Authority

We have audited the accompanying basic financial statements of Central Wayne County Sanitation Authority as of June 30, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Central Wayne County Sanitation Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Central Wayne County Sanitation Authority as of June 30, 2006 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the management's discussion and analysis. However, we did not audit the information and express no opinion on it.

The accompanying required supplemental information and other supplemental information, as listed in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Central Wayne County Sanitation Authority. The required supplemental information and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

August 3, 2006



A worldwide association of independent accounting firms

Central Wayne County Sanitation Authority

Management's Discussion and Analysis

Our discussion and analysis of Central Wayne County Sanitation Authority's (the "Authority" or "CWCSA") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's individual funds.

Central Wayne County Sanitation Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2006 compared to the net assets as of June 30, 2005 (amounts in thousands). This is the third year of implementation of GASB No. 34.

	June 30	
	2006	2005
Assets		
Current assets	\$ 3,566	\$ 6,893
Noncurrent assets	<u>1,309</u>	<u>1,490</u>
Total assets	4,875	8,383
Liabilities		
Current liabilities	2,318	3,303
Noncurrent liabilities	<u>3,753</u>	<u>9,325</u>
Total liabilities	<u>6,071</u>	<u>12,628</u>
Net Assets (Deficit)		
Invested in capital assets - Net of related debt	(1,652)	(3,697)
Restricted	440	736
Unrestricted	<u>16</u>	<u>(1,284)</u>
Total net assets (deficit)	<u>\$ (1,196)</u>	<u>\$ (4,245)</u>

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

The Authority's combined net assets increased by approximately \$3,050,000 due to several factors related to the change in operations during the prior year and due to the change in estimated closure and postclosure care cost liability (see Note 11). Operating revenues exceeded operating expenses by approximately \$1,745,000.

The following table shows the changes in the net assets during the current year and as compared to the prior year (in thousands of dollars):

	June 30	
	2006	2005
Revenue		
Disposal fees	\$ 5,398	\$ 5,602
Interest income	247	169
Gain on sale of assets	-	27
Other operations	28	36
Total revenue	5,673	5,834
Expenditures		
Operations	633	686
Transfer station	-	45
Monofill	217	323
Disposal costs:		
Solid waste	1,976	2,004
Compost	706	654
Debt service	238	366
Capital outlay	50	25
Recycling	78	118
Other	29	-
Depreciation	1	1
Total expenditures	3,928	4,222
Excess of Revenue Over Expenditures	1,745	1,612
Extraordinary Items		
Monofill closure and postclosure costs	1,422	689
Environmental claim settlement	200	-
Salvage from plant demolition	-	528
Plant demolition expenditures	(317)	(1,238)
Total extraordinary items	1,305	(21)
Change in Net Assets	\$ 3,050	\$ 1,591

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

Governmental Activities

The Authority's operating revenue decreased approximately \$211,000, due primarily to a reduction in disposal rates and administration fees. The Authority's total expenditures decreased approximately \$294,000 due to the significant change in operations, and reduction in tonnage of waste.

General Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account events during the year. The most significant budget amendments occurred due to the change in the estimated cost to demolish the plant and close the monofill. Overall, the Authority stayed below budget.

Capital Assets and Debt Administration

At the end of 2006, the Authority had approximately \$585,000 invested in land and equipment prior to the accumulation of depreciation.

Bonded debt was reduced by \$2,210,000, and monofill closure and postclosure care costs were reduced by \$3,525,000 during the year.

More detailed information concerning capital assets and long-term debt can be found in Notes 4 and 6, respectively.

Economic Factors and Next Year's Budgets and Rates

Major Change in Direction for CWCSA

In 1964, the Authority implemented the burning of solid waste as a means of reducing the volume of solid waste produced by the five-member cities that needed to be placed in a landfill. The resulting ash was placed in the monofill. The Authority member cities concluded that this was the best direction for the disposal of solid waste in an environmentally safe manner. This approach was continued until 1998. At that time, the operation of the incinerator was changed dramatically with the reconstruction of the facility into a waste-to-energy (WTE) plant by a private partnership, Central Wayne Energy Recovery Limited Partnership (CWERLP). This introduced the second approach of producing electric power from the burning of solid waste. Even though WTE was a dramatic change, the direction was still the same.

However, with the closure of the WTE plant in September 2003, the result was a significant change in direction. Solid waste was transported to Woodland Meadows, a landfill operated by Waste Management Michigan (WMM). This was originally a temporary measure. In December 2003, CWERLP filed for bankruptcy. The ultimate approval of the purchase offer submitted by WMM to purchase both CWERLP and CWCSA's assets at the WTE plant in June 2004 confirmed this change in direction.

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

The result was that for the first time in over five years, the Authority was able to reduce tipping fee rates. The new rates went from \$63/ton to \$49/ton beginning with the fiscal year 2004-2005. The board approved a further reduction in tonnage rates effective July 1, 2005 to \$46/ton. The last time the \$46/ton rate was charged was in the fiscal year ended June 30, 1991.

CWCSA received a \$4 million payment from WMM during fiscal year 2003-2004 as part of the new 20-year agreement. The salvageable equipment was sold, primarily through an on-line auction in December 2004. Net proceeds totaling \$528,290 were deposited with WMM to be applied to the demolition costs. Another \$38,525 was received from equipment directly sold by CWCSA. Therefore, a total of \$566,815 from equipment sales was available for payment on the demolition costs.

In addition, WMM paid \$4 million to acquire the assets of CWERLP through the bankruptcy proceedings. In this agreement, \$500,000 was set aside in an escrow fund. WMM filed a claim against this amount for environmental cleanup at the WTE plant. A settlement was agreed to by the various parties and approved by the federal bankruptcy court. The settlement in the amount of \$200,000, less \$6,765 for WMM's expenses, was also available to apply against the demolition costs. Therefore, the net WTE plant demolition cost to CWCSA totaled \$789,046.

The contract for demolition was awarded by WMM early in 2005. The contractor started work on February 16, 2005 and completed the project in September 2005. Due to the amount of expected net expenditure for demolition, the CWCSA board amended the fiscal year 2004-2005 budget in February 2005. As part of this amendment, the board reduced the budgeted WTE demolition cost from \$4 million to \$2 million. The actual cost was \$1,595,861. Applying the equipment sale and environmental settlement costs toward the demolition resulted in a net cost of \$789,046 to CWCSA.

The closure process of the monofill began with the movement of ash in November 2004. This was completed by June 2005. The final closure and capping of the monofill was completed by November 2005. MDEQ approved the closure documents declaring the monofill closed as of December 2005.

There will be a continued need to maintain the monofill for a minimum of 30 more years as required by state law. This will be at a significantly lower annual cost than the prior annual operating cost of the monofill.

Due to the savings on the demolition of the WTE plant and closure of the monofill, the CWCSA board approved using current resources to offset the administration portion of the charges to the member communities for the last four months of the fiscal year ended June 30, 2006.

This effectively reduced the tipping fee charged further. The five cities were not billed anything for administration for this four-month period of time.

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

One should note that the Authority has no remaining debt on the WTE plant or the land upon which it is located. The only remaining debt of CWCSA is on the monofill. A significant amount of this debt was paid off during the fiscal year ended June 30, 2006. The total debt will be paid in full by June 2007.

The Authority's board and staff have taken a very aggressive approach to resolving the challenges faced by CWCSA. These challenges have been resolved in a fiscally and cost effective manner by the agreements put into place between CWCSA and WMM. The result is expected to be a stable means of solid waste disposal for the next 18 years on a financial basis that will be beneficial to both CWCSA and WMM. The contract began in June 2004.

The two major goals, demolition of the WTE facility and restoration of the property and the permanent closure of the monofill, were completed during the fiscal year ended June 30, 2006. The two major goals for the fiscal year ending June 30, 2007 will be the sale of the land at the WTE plant location and the effort to further reduce expenses at the monofill, as well as sell or lease the property.

Interest income in the fiscal year ended June 30, 2006 is also significantly higher than the prior fiscal year.

CWCSA is in a strong fiscal condition. Further steps will be taken to ensure this continuation as our member cities continue to work together to dispose of solid waste during the coming years.

Contacting the Authority's Management

This financial report is intended to provide our citizens, member communities, and investors with a general overview of the Authority's finances and show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the executive director at 734-722-9980, ext. 12 or cwcsaexec@sbcglobal.net.

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit)

June 30, 2006

	Governmental Fund Types			Statement of Net
	General Fund	Capital Projects Fund	Adjustments	Assets (Deficit)
Assets				
Cash and cash equivalents (Note 3)	\$ 1,430,956	\$ 1,415,464	\$ -	\$ 2,846,420
Accounts receivable:				
Constituent communities	711,841	-	-	711,841
Other	7,428	276	-	7,704
Restricted assets (Note 7)	796,988	-	-	796,988
Nondepreciable capital assets (Note 4)	-	-	509,904	509,904
Depreciable capital assets - Net (Note 4)	-	-	2,132	2,132
Other assets	-	-	-	-
Total assets	<u>\$ 2,947,213</u>	<u>\$ 1,415,740</u>	<u>\$ 512,036</u>	<u>\$ 4,874,989</u>
Liabilities and Fund Balance/ Net Assets (Deficit)				
Liabilities				
Accounts payable	\$ 136,368	\$ 14,841	\$ -	\$ 151,209
Accrued and other liabilities	3,272	-	-	3,272
Payable from restricted assets-				
Due to Perpetual Care Fund	356,988	-	-	356,988
Noncurrent liabilities (Note 6):				
Due within one year	-	-	2,163,500	2,163,500
Monofill postclosure costs	-	-	3,395,526	3,395,526
Total liabilities	496,628	14,841	5,559,026	6,070,495
Fund Balance/Net Assets (Deficit)				
Invested in capital assets - Net of related debt	-	-	(1,651,464)	(1,651,464)
Fund balances/Net assets:				
Reserved/Restricted	440,000	-	-	440,000
Unreserved/Unrestricted	2,010,585	1,400,899	(3,395,526)	15,958
Total fund equity/net assets (deficit)	<u>2,450,585</u>	<u>1,400,899</u>	<u>(5,046,990)</u>	<u>(1,195,506)</u>
Total liabilities and fund equity/ net assets (deficit)	<u>\$ 2,947,213</u>	<u>\$ 1,415,740</u>	<u>\$ 512,036</u>	<u>\$ 4,874,989</u>

**Statement of Governmental Fund Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
Year Ended June 30, 2006**

	General Fund	Capital Projects Fund	Adjustments	Statement of Activities
Revenue				
Disposal fees	\$ 5,397,891	\$ -	\$ -	\$ 5,397,891
Interest income	147,697	98,819	-	246,516
Other operations	28,427	-	-	28,427
Total revenue	5,574,015	98,819	-	5,672,834
Expenditures				
Operations	633,686	-	-	633,686
Monofill	216,688	-	-	216,688
Disposal costs:				
Solid waste	1,975,846	-	-	1,975,846
Compost	705,864	-	-	705,864
Debt service	2,447,881	-	(2,210,000)	237,881
Capital outlay	-	50,390	-	50,390
Monofill closure	-	2,102,975	(2,102,975)	-
Recycling	-	77,730	-	77,730
Other	-	29,141	-	29,141
Depreciation	-	-	710	710
Total expenditures	5,979,965	2,260,236	(4,312,265)	3,927,936
Excess of Revenue Over (Under)				
Expenditures	(405,950)	(2,161,417)	4,312,265	1,744,898
Other Financing Sources (Uses)				
Operating transfers in	345,606	81,500	(427,106)	-
Operating transfers out	(81,500)	(345,606)	427,106	-
Total other financing sources (uses)	264,106	(264,106)	-	-
Extraordinary Items				
Monofill closure and postclosure costs (Note 12)	-	-	1,421,999	1,421,999
Environmental claim settlement (Note 11)	-	200,000	-	200,000
Plant demolition expenditures (Note 11)	-	(317,133)	-	(317,133)
Total extraordinary items	-	(117,133)	1,421,999	1,304,866
Net Change in Fund Balances/Net Assets (Deficit)	(141,844)	(2,542,656)	5,734,264	3,049,764
Fund Balances/Net Assets (Deficit) -				
Beginning of year	2,592,429	3,943,555	(10,781,254)	(4,245,270)
Fund Balances/Net Assets (Deficit) -				
End of year	<u>\$ 2,450,585</u>	<u>\$ 1,400,899</u>	<u>\$ (5,046,990)</u>	<u>\$ (1,195,506)</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies

Central Wayne County Sanitation Authority (the "Authority") provides household refuse disposal services primarily for the benefit of member municipalities in Wayne County, Michigan. These member municipalities are the cities of Dearborn Heights, Garden City, Inkster, Wayne, and Westland.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity - The Authority is governed by a board consisting of one representative from each of the five member communities. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Basis of Accounting - The government-wide full accrual financial statements (the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. For the purpose of the government-wide financial statements, the Authority reports a liability for outstanding bonds and monofill closure and postclosure care costs, which will be funded through future revenue from the member municipalities.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental funds:

General Fund - The General Fund contains the records of the ordinary activities of the Authority that are not accounted for in another fund. General Fund activities are financed by revenue from refuse disposal fees.

Capital Projects Fund - The Capital Projects Fund is used to account for expenditures financed by bond issues and by the board-designated Improvement Fund.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are recorded at fair value, based on quoted market prices, with the exception of money market instruments with a maturity of one year or less at time of purchase, which are recorded at cost.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/due from other funds." All receivables are shown as net of an allowance for uncollectible amounts.

Restricted Assets - Several bond ordinances require amounts be set aside for maintenance, debt service principal and interest, and a bond reserve. These amounts have been classified as restricted assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Capital Projects Fund. All annual appropriations lapse at fiscal year end. The board approves the original budget prior to the beginning of the fiscal year. The board reviews budget to actual information throughout the year and approves amendments as deemed necessary. The budget is adopted on a fund-total basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the Authority is the fund level.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 2 - Budgetary Information (Continued)

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A comparison of actual results of operations to the budgets as adopted by the board is included in the required supplemental information for the General Fund and in the other supplemental information for the Capital Projects Fund.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Authority did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in instruments approved by the state statutory authority as listed above.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$1,389,822 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as deposits.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the Authority does not have any investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy restricts investment maturities and, to the extent possible, the Authority will attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the Authority will not directly invest in securities maturing more than 18 months from the date of purchase. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Bank investment pools	\$ 281,915	30 days

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 281,915	AAAM, Aaa	Moody's
Bank investment pool	1,295,550	AI, PI	S&P, Moody's
Bank investment pool	5,883	AI, PI	S&P
Not rated - Bank investment pools	356,988	Not rated	

Concentration of Credit Risk - The Authority limits the amount that may invest in any one issuer and with any one institution. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50 percent of the total investment portfolio will be invested in a single security type or 25 percent with a single financial institution.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 4 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Capital assets not being depreciated -				
Land	\$ 509,904	\$ -	\$ -	\$ 509,904
Capital assets being depreciated -				
Equipment	75,498	-	-	75,498
Accumulated depreciation -				
Equipment	72,656	710	-	73,366
Net capital assets being depreciated	2,842	(710)	-	2,132
Net capital assets	<u>\$ 512,746</u>	<u>\$ (710)</u>	<u>\$ -</u>	<u>\$ 512,036</u>

Note 5 - Transfers

The transfer from the Capital Projects Fund to the General Fund represents the movement of resources to be used for debt service. The transfers from the General Fund to the Capital Projects Fund represent the movement of resources to be used for future capital projects.

Note 6 - Long-term Debt

The Authority issues revenue bonds to provide for the construction of major capital improvements. Revenue bonds involve a pledge of revenue derived from operations.

Long-term obligation activity can be summarized as follows:

	Amount of Issue	Maturing Through	Interest Rate	Principal Maturity Ranges	Beginning Balance	Reductions*	Ending Balance	Due Within One Year
Incinerator revenue bonds:								
Series VI	\$ 1,435,000	2006	6.4%	\$1,435,000	\$ 1,435,000	\$ (1,435,000)	\$ -	\$ -
Series VII	\$ 2,775,000	2007	4.375%- 4.75%	\$775,000- \$2,000,000	2,775,000	(775,000)	2,000,000	2,000,000
Total incinerator revenue bonds					4,210,000	(2,210,000)	2,000,000	2,000,000
Monofill closure and postclosure care costs (Note 12)					7,084,000	(3,524,974)	3,559,026	163,500
Total					<u>\$ 11,294,000</u>	<u>\$ (5,734,974)</u>	<u>\$ 5,559,026</u>	<u>\$ 2,163,500</u>

* There were no additions to long-term debt during the fiscal year.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity of the above bonds are as follows:

	Principal	Interest	Total
2007	\$ 2,000,000	\$ 95,000	\$ 2,095,000

Note 7 - Restricted Assets

Restricted assets represent cash and investments that have been segregated for specific purposes due to legal requirements. The restricted assets were composed of the following:

Cash and cash equivalents - Investments	\$ 709,488
Deposit with Michigan Department of Natural Resources	<u>87,500</u>
Total restricted assets	<u>\$ 796,988</u>

A summarization of the intended uses of the restricted assets is as follows:

Reserved for future Series VII bond principal and interest redemption*	\$ 277,500
Reserved for future plant equipment repair and replacement*	75,000
Reserved for monofill perpetual care	356,988
Deposit reserved for Monofill Watering Care Fund	<u>87,500</u>
Total restricted assets	<u>\$ 796,988</u>

* These balances have been established in accordance with Revenue Bond Ordinances Nos. 3, 4, 5, 8, and 9. The ordinances require that, after providing for current operations, maintenance, and bond and interest redemption, a Bond Reserve Account and Replacement Fund be established.

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all of the above risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 9 - Defined Benefit Pension Plan

Plan Description - As part of the privatization initiative, all employees were terminated on June 15, 1998. The Authority provided substantially all employees with retirement, disability, and death benefits by participating in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit plan. The active employees on June 15, 1998 were offered the option of withdrawing their funds or remaining in the plan. The Authority is responsible for maintaining sufficient funds in the plan to cover the actuarially computed future benefits for the previous employees remaining in the plan. During the year ended June 30, 2003, the plan re-opened and the two employees of the Authority are now active participants. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Michigan Municipal Employees' Retirement System at 1134 Municipal Way, Lansing, Michigan 48917.

Annual Pension Cost - For year ended June 30, 2006, the Authority's required annual pension cost was \$14,004. The Authority contributed an additional \$98,441 during the year. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2006	2005	2004
Annual pension cost (APC)	\$ 112,445	\$ 112,444	\$ 10,320
Percentage of APC contributed	100%	100%	100%
	Valuation Year Ended December 31		
	2005	2004	2003
Actuarial value of assets	\$ 3,353,145	\$ 3,238,040	\$ 3,290,177
Actuarial accrued liability (AAL)			
(entry age)	3,437,977	3,504,500	3,494,651
Unfunded AAL (UAAL)	84,832	266,460	204,474
Funded ratio	98%	92%	94%

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 10 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Authority, the Authority contributes 1 percent of employees' gross earnings. There were no contributions to this plan during the year.

Note 11 - Commitments

The Authority has obtained a \$325,000 letter of credit to provide financial assurance to the Michigan Department of Natural Resources for potential liability relative to the monofill. The Authority has submitted a \$87,500 cash bond to the Michigan Department of Natural Resources. This bond will be retained by the Michigan Department of Natural Resources until 30 years past the time of closure of the monofill.

The Authority entered into a 20-year disposal contract with Waste Management of Michigan (WMM). Pursuant to the agreement, WMM is to accept waste from the constituent communities at the Woodland Meadows landfill for a fixed rate per ton, to increase annually beginning July 1, 2007. The increase on July 1, 2007 is 3.75 percent and 2 percent annually thereafter. The fixed rate as of June 30, 2006 is \$18.98 per ton plus related taxes, fees, and surcharges.

In conjunction with the disposal agreement, WMM agreed to purchase all the assets of the Authority, except the following assets: land, office equipment, the monofill, and certain vehicles. The Authority received \$4,000,000 from the sale of their assets. Pursuant to the sale agreement, WMM is responsible for disposal of equipment and demolition of the incinerator plant (the "plant") previously operated by a third party. WMM sold the equipment in the plant for \$528,290 and the Authority received \$38,525 directly for the sale of related equipment. These proceeds are used to finance the cost of demolition. If these proceeds exceed the cost of demolition, the excess will be paid to the Authority. If the cost of demolition exceeds the proceeds, the Authority will pay WMM the difference. The demolition was completed during the year. Over the two-year period, costs exceed proceeds by approximately \$440,000 which was paid by the Authority. The expenditure is reported as an extraordinary item. In connection with this agreement, WMM established an escrow fund for cleanup. Pursuant to a settlement agreement, the Authority received \$200,000 from this escrow fund during the year ended June 30, 2006.

The Authority has contracted with a contractor for the closure of the monofill. As of June 30, 2006, the project is complete and no additional costs are due to the contractor.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 12 - Monofill Closure and Postclosure Care Cost

State and federal laws and regulations require the Authority to place a final cover on its monofill when it stops accepting waste and to perform certain maintenance and monitoring functions at the monofill for 30 years after closure. Although closure and postclosure care costs will be paid near or after the date the monofill stops accepting waste, the Authority records a portion of these costs as a liability in accordance with Governmental Accounting Standards Board Statement No. 18. The \$3,559,000 liability recorded at June 30, 2006 represents the Authority's portion of the estimated total liability for postclosure care costs. The amount recorded is based on estimated costs in current dollars to perform all postclosure care as of June 30, 2006. The change in this estimate is reported as an extraordinary item. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

The Authority is required by state regulations to set aside a portion of disposal fees to finance postclosure maintenance. The amount is reported as a restricted asset and a liability (see Note 7).

Note 13 - Postemployment Benefits

Health care insurance is provided for employees who have 25 or more years of service when they retire. The cost of this benefit is recognized as the insurance premiums become due. During 2006, 11 retired employees received this benefit for a cost to the Authority of approximately \$135,000. There is one former employee who is eligible for this benefit in the future when they retire from their subsequent employers. In addition, there are two former employees receiving long-term workers' compensation benefits. The cost to the Authority was approximately \$34,000 for the year ended June 30, 2006. The combined total for both retirees and disabled persons was approximately \$169,000.

Upcoming Reporting Changes - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 14 - Operating Leases

The Authority entered into a lease agreement for its office during 2004 with an unrelated party under an operating lease that expires on November 15, 2007. Total lease expense for this operating lease was \$17,136 for the year ended June 30, 2006.

Future minimum rental commitments are as follows:

Years Ending June 30	Amount
2007	\$ 17,607
2008	7,426
Total	<u>\$ 25,033</u>

Note 15 - Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Authority's funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 3,851,484
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	512,036
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds	(2,163,500)
Monofill closure and postclosure costs	<u>(3,395,526)</u>
Net Assets - Full accrual method	<u>\$ (1,195,506)</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2006

Note 15 - Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements (Continued)

Total Net Change in Fund Balances - Modified accrual basis \$ (2,684,500)

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (710)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,210,000

Payment for closure of the monofill is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term monofill closure and postclosure costs) 2,102,975

Reduction of monofill postclosure costs due to a change in the estimate is not recorded in the statement of revenue, expenditures, and changes in fund balance 1,421,999

Change in Net Assets - Full accrual basis \$ 3,049,764

Required Supplemental Information

Central Wayne County Sanitation Authority

Budgetary Comparison Schedule General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Disposal fees	\$ 5,850,924	\$ 5,496,176	\$ 5,397,891	\$ (98,285)
Interest income	80,000	110,000	147,697	37,697
Sale of Property	1,410,565	-	-	-
Other operations	1,000	28,500	28,427	(73)
Total revenue	7,342,489	5,634,676	5,574,015	(60,661)
Expenditures				
Operations	747,372	693,240	633,686	59,554
Monofill	386,251	232,340	216,688	15,652
Disposal costs:				
Solid waste	2,032,853	2,032,853	1,975,846	57,007
Compost	747,124	747,124	705,864	41,260
Debt service	2,448,706	2,448,506	2,447,881	625
Total expenditures	6,362,306	6,154,063	5,979,965	174,098
Excess of Revenue Over (Under) Expenditures	980,183	(519,387)	(405,950)	113,437
Other Financing Sources (Uses)				
Operating transfers out	(1,422,183)	(81,500)	(81,500)	-
Operating transfers in	191,000	345,803	345,606	(197)
Total other financing sources (uses)	(1,231,183)	264,303	264,106	(197)
Net Change in Fund Balance	(251,000)	(255,084)	(141,844)	113,240
Fund Balance - Beginning of year	2,592,429	2,592,429	2,592,429	-
Fund Balance - End of year	<u>\$ 2,341,429</u>	<u>\$ 2,337,345</u>	<u>\$ 2,450,585</u>	<u>\$ 113,240</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than required by the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Other Supplemental Information

Central Wayne County Sanitation Authority

Schedule of Expenditures - Operations Budget and Actual General Fund Year Ended June 30, 2006

	Amended		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating expenses:			
Administrative salaries and wages	\$ 111,458	\$ 108,252	\$ 3,206
Social Security	8,262	8,281	(19)
Unemployment Insurance	9,412	7,962	1,450
Hospitalization insurance	170,000	169,210	790
Office supplies	3,200	3,332	(132)
Office equipment and maintenance	2,100	2,052	48
Postage	1,000	947	53
Auditing and accounting	7,225	7,225	-
Payroll accounting	1,800	1,465	335
Legal fees	35,000	30,177	4,823
Banking and financial	7,800	6,775	1,025
Consulting fees	1,500	1,209	291
Insurance - Workers' compensation	391	391	-
Insurance - Other	27,000	26,416	584
Monofill - Perpetual care	105,000	105,000	-
Membership dues	800	875	(75)
Education and training	1,500	950	550
Retirement contribution	112,445	112,445	-
Building maintenance	1,000	587	413
Alarm system	1,062	1,061	1
Building rent	17,296	17,136	160
Utilities	4,000	2,973	1,027
Telephone	4,500	4,115	385
Lot maintenance	50	2,500	(2,450)
Maintenance - 4901 S. Inkster	4,000	3,473	527
Miscellaneous	8,900	8,877	23
Contingency	46,539	-	46,539
Total operating expenses	<u>\$ 693,240</u>	<u>\$ 633,686</u>	<u>\$ 59,554</u>

Central Wayne County Sanitation Authority

Budgetary Comparison Schedule Capital Projects Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Interest income	\$ 101,200	\$ 101,500	\$ 98,819	\$ (2,681)
Expenditures				
Capital outlay	25,000	59,950	50,390	9,560
Plant demolition	-	334,000	317,133	16,867
Monofill closure	2,750,000	2,100,000	2,102,975	(2,975)
Recycling	90,000	81,500	77,730	3,770
Other expenditures	-	48,000	29,141	18,859
Total expenditures	<u>2,865,000</u>	<u>2,623,450</u>	<u>2,577,369</u>	<u>46,081</u>
Excess of Expenditures Over Revenue	(2,763,800)	(2,521,950)	(2,478,550)	43,400
Other Financing Sources (Uses)				
Environmental Claim Settlement	-	200,000	200,000	-
Operating transfers in	1,422,183	81,500	81,500	-
Operating transfers out	<u>(191,000)</u>	<u>(345,803)</u>	<u>(345,606)</u>	<u>197</u>
Total other financing sources (uses)	<u>1,231,183</u>	<u>(64,303)</u>	<u>(64,106)</u>	<u>197</u>
Net Change in Fund Balance	(1,532,617)	(2,586,253)	(2,542,656)	43,597
Fund Balance - Beginning of year	<u>3,943,555</u>	<u>3,943,555</u>	<u>3,943,555</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 2,410,938</u>	<u>\$ 1,357,302</u>	<u>\$ 1,400,899</u>	<u>\$ 43,597</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the Capital Projects Fund is more detailed than required by the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Central Wayne County Sanitation Authority

Schedule of Bonded Indebtedness June 30, 2006

Description	Interest	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
	Rate			June 30	
	(Percent)			2006	2005
Incinerator Revenue Bonds					
Series VI:					
Amount of issue - \$3,400,000					
Date of issue - August 20, 1996					
	6.40%	7/1/2006	1,435,000	-	1,435,000
Series VII:					
Amount of issue - \$2,775,000					
Date of issue - April 22, 2003					
	4.375%	7/1/2006	775,000	-	775,000
	4.75%	7/1/2007	2,000,000	2,000,000	2,000,000
Total Series VII				2,000,000	2,775,000
Total incinerator revenue bonds				\$ 2,000,000	\$ 4,210,000



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August 3, 2006

To the Board of Directors
Central Wayne County Sanitation Authority
3759 Commerce Ct.
Wayne, MI 48184

Dear Board Members:

We recently completed our audit of the basic financial statements of Central Wayne County Sanitation Authority for the year ended June 30, 2006. Again this year, the Authority's books and records were found to be in excellent condition. In addition to the audit report, we offer the following for your consideration:

Segregation of Duties

Segregation of duties is a key component to a sound internal control structure. Due to the size of the Authority is impractical to establish complete segregation of duties. A lack of segregation of duties increases the risk of misstatements. It is our understanding that the Authority has procedures in place to mitigate this risk, such as the executive director's review of bank reconciliations and the board's involvement with reviewing monthly reports. We commend the Authority for implementing these procedures and encourage continued involvement by the board.

We would like to thank Mr. Steven Aynes and Mrs. Patricia Noel for the courtesy and cooperation extended to us during the course of our engagement. If you have any questions or comments, we would be pleased to discuss them with you at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script, reading "David H. Helisek".

David H. Helisek

A handwritten signature in cursive script, reading "April King".

April King

A member of



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